

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 SS-15 SP-02 L-03 H-01 NSC-05
EB-08 SIL-01 LAB-04 COME-00 OMB-01 TRSE-00 XMB-02
PA-01 USIA-06 CIAE-00 INR-10 NSAE-00 PM-05 DODE-00
/087 W

-----104893 031611Z /53

R 031300Z MAR 78

FM AMCONSUL JOHANNESBURG

TO SECSTATE WASHDC 7349

INFO AMEMBASSY BONN

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

LIMITED OFFICIAL USE SECTION 1 OF 2 JOHANNESBURG 0560

CAPE TOWN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EINV, BEXP, SF, US

SUBJ: EXPORT RESTRICTIONS: THE EXPERIENCE OF U.S. COMPUTER FIRMS

REF: STATE 044206, PRETORIA 1159

1. SUMMARY: U.S. COMPUTER FIRMS IN SOUTH AFRICA ARE EXPERIENC-
ING DIFFICULTIES AS RESULT OF THE ISSUANCE OF EXPORT ADMIN-
ISTRATION BULLETIN NO. 175, DATED FEBRUARY 16, 1978, REGARDING
RESTRICTIONS ON EXPORTS TO THE REPUBLIC OF SOUTH AFRICA AND
NAMIBIA AND SPECULATION REGARDING FURTHER RESTRICTIVE LEGIS-
LATION IN THE U.S. CONGRESS. CONTRACTS ARE BEING LOST TO
FIRMS FROM OTHER COUNTRIES WHICH DO NOT APPEAR TO BE EN-
FORCING THE UN EMBARGO SO VIGOROUSLY AS THE UNITED STATES.
END SUMMARY.

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2. COMPUTER SCIENCES SIGMA (PTY) REQUESTED ASSISTANCE ON MARCH 2,
IN FORWARDING TO THE DEPARTMENT OF COMMERCE THE NEWLY REQUIRED
CERTIFICATION THAT SEVERAL PENDING ORDERS ARE NOT INTENDED
FOR THE S.A. DEFENSE FORCE AND POLICE OR NAMIBIA, IN ORDER TO
EXPEDITE THEIR SHIPMENT WHICH WAS DELAYED.

3. BURROUGHS ESTIMATES IT LOST TEN MILLION DOLLARS IN SALES DURING THE FIRST TWO MONTHS OF THIS YEAR TO BRITISH (ICL), GERMAN, AND JAPANESE COMPETITORS DUE TO LOCAL UNCERTAINTIES REGARDING RELIABILITY OF U.S. SUPPLIERS IN FUTURE. BURROUGHS LOST TWO MILLION DOLLAR CONTRACT SPECIFICALLY WITH SAG DEPT. OF PLURAL AFFAIRS

BURROUGHS MANAGING DIRECTOR, J.R. O'SULLIVAN, NOTED THAT THE GERMAN FIRM SIEMENS, WHICH DID NOT BELIEVE THERE WAS ROOM FOR IT IN THE SOUTH AFRICAN MARKET SIX YEARS AGO, IS RETURNING TO SA COMPUTER MARKET WITH HIGH EXPECTATION IT CAN FILL SOME OF GAP TO BE LEFT BY US FIRMS. IBM HAS LONG COMPLAINED THAT EUROPEAN COMPANIES, ESPECIALLY BRITISH, WERE TAKING ADVANTAGE OF US DECLINE.

4. JACK CLARKE, MANAGING DIRECTOR OF IBM SOUTH AFRICA, CALLED CONGEN MARCH 1 TO ASK FOR CLARIFICATION OF EXPORT REGULATIONS WITH RESPECT TO HIS EXISTING CONTRACT WITH SAG DEFENSE DEPARTMENT TO SUPPLY PARTS AND MAINTENANCE FOR ITS IBM COMPUTER SYSTEM. HE WAS ASKED TO PUT QUESTION TO COMMERCE THROUGH PRINCIPALS IN US, WHICH HE SAID HE WOULD DO. IN SUBSEQUENT CALL, HE MENTIONED FIGARO ITEM IN PARIS SUGGESTING IBM WAS IN SANCTIONS-BUSTING BUSINESS BY SHIPPING MULTI-MILLION DOLLAR ORDER OF PARTS TO SOUTH AFRICA. HE SAID SUGGESTION WAS PHONY; SHIPMENT WAS STOCK ORDER OF HIS, HAVING BEEN PLACED WITH IBM'S ORDERING OFFICE AT ORLY FIELD, AND HE HAD SENT STANDARD CERTIFICATE REGARDING USE, AND HE EXPECTED CLEARANCE AND SHIPMENT WITHOUT DIFFICULTY. ARTICLE IN JOHANNESBURG STAR OF MARCH 2 ON LIMITED OFFICIAL USE

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INCIDENT FOLLOWS: QUOTE:

IBM COMPUTER SPARES BLOCKED FOR DEFENSE

SHIPMENTS OF COMPUTER SPARE PARTS TO IBM SOUTH AFRICA WERE STOPPED LAST WEEK PENDING CERTIFICATION BY THE COMPANY THAT THEY WOULD NOT SUPPLY THEM TO THE DEFENSE FORCE OR THE POLICE. BUT DELIVERIES ARE EXPECTED TO BE RESUMED SOON WHEN THE UNITED STATES DEPARTMENT OF COMMERCE RECEIVES THE CERTIFICATION AND RE-ISSUES IBM WITH ITS GENERAL LICENSE TO SELL THE PARTS. THIS WAS SAID TODAY BY MR. JACK CLARKE, MANAGING DIRECTOR OF IBM SOUTH AFRICA, IN RESPONSE TO A PARIS REPORT THAT TOP IBM EXECUTIVES HAD BLOCKED A SOUTH AFRICAN ATTEMPT TO BUY SPARE PARTS. MR. CLARKE SAID SALES TO OTHER SOUTH AFRICAN GOVERNMENT DEPARTMENTS AND CUSTOMERS WOULD NOT BE AFFECTED. THE STAR'S CORRESPONDENT IN PARIS REPORTED THAT WELL-INFORMED SOURCES THERE SAID A SOUTH AFRICAN MIDDLEMAN FILED A MULTI-MILLION ORDER FOR SPARE PARTS WITH THE IBM CENTRAL ORDERING POINT AT ORLY AIRPORT LAST FRIDAY. THE ORDER WAS FOR PARTS FOR THE 370 AND 158 COMPUTERS USED BY GOVERNMENT DEPARTMENTS.

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THE SOURCES SAID THERE WAS A MINOR PROBLEM WITH FILLING OUT THE ORDER FORM AND IBM EMPLOYEES CONTACTED EXECUTIVES. THE ORDER WAS THEN BLOCKED, ADDED THE SOURCES.

BUT MR. CLARKE SAID IN JOHANNESBURG HE DID NOT KNOW WHO SUCH A MIDDLEMAN COULD HAVE BEEN. NORMALLY, IBM SOUTH AFRICA ORDERED PARTS. HE THOUGHT IT "VERY DOUBTFUL" THAT ANYONE ELSE WOULD HAVE PLACED AN ORDER.

"THE ORDERS WE PLACED WERE STOCK ORDERS", SAID MR. CLARKE. COMMENTING ON THE REPORT BY PARIS SOURCES THAT IBM BRANCHES WERE TENDING TO IGNORE THE US BAN IN EUROPE, MR. CLARKE SAID THIS WOULD NOT HAPPEN. END QUOTE.

5. COMMENT: ABOVE REPORTS ARE ILLUSTRATIVE OF INCREASING DIFFICULTIES FACED BY US COMPUTER SUBS IN SA. DIRECTORS STATE THAT
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COMPETING FOREIGN FIRMS ARE ACTIVELY PROMOTING STORY THAT US IS
AND WILL CONTINUE TO BE UNRELIABLE SUPPLIER AND USG NOOSE WILL
PROGRESSIVELY TIGHTEN. UK'S ICL IS CITED AS PARTICULAR VILLAIN.
AT VERY LEAST, IT WOULD ASSIST LOCAL US SUBS IF USG REGULATIONS
WERE MADE AS CLEAR AS POSSIBLE IN ORDER FORESTALL WILDEST MIS-
INTERPRETATIONS OF WHAT RESTRICTIONS MEAN AND WHAT FIRMS CAN
AND CANNOT SAFELY AND LEGALLY DO. AT MOMENT, SOME LIKE IBM ARE
CONFRONTED WITH POTENTIAL CHARGES OF EITHER BEING OR BECOMING
SANCTIONS-BREAKERS OR CONTRACT-VIOLATORS. POST APPRECIATES THAT
SOMETIMES NO ANSWER AND NO CLARIFICATION ARE BETTER THAN HARD
AND NEGATIVE RESPONSE, BUT WHEN CONTRACTS ARE BIG AND LEGAL
VIOLATIONS MAY POSSIBLY BE CALLED, DIRECTORS GET VERY NERVOUS
AND TEND SEEK MORE OFFICIAL HELP AND GUIDANCE.
JOHNSON

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Message Attributes

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Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Review Release Event: n/a
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TAGS: EINV, BEXP, SF, US
To: STATE
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